

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees – Actuary Meeting

October 29th, 2014 – 8:00 a.m.

VSERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2015)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 30, 2016)
Jeff Briggs, VSEA Representative (term expiring September 30, 2016)
Thomas Hango, VSEA Representative (term expiring September 30, 2016)
Paul White, Jr., VSEA Alternate Representative (term expiring September 30, 2015)
Allen Blake, VRSEA Alternate Representative (term expiring September 30, 2016)
Maribeth Spellman, Commissioner of Human Resources (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

James Reardon, Commissioner of Finance & Management (ex-officio)
VACANT, Governor's Delegate position

Also attending:

Stephen Wisloski, Deputy Treasurer
Laurie Lanphear, Director of Retirement Operations
Matt Considine, Director of Investments
David Driscoll and Hope Manion, Buck Consultants
David Beatty, Dept. of Finance and Management
Joshua McCormick, Assistant to Nancy Dimick
Katie Green, Investments Manager
Nick Foss, Investments Analyst

The Chairperson, Kevin Gaffney, called the October 29, 2014, meeting to order at 8:05 a.m., which was held in the Large Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- **October 9, 2014 – conference call**

On motion by Mr. Briggs, seconded by Mr. Dumas, the Board voted unanimously to approve the minutes of October 9, 2014, as submitted.

ITEM 2: **Update on VSEA/VRSEA elected board members**

Jeff Briggs and Thomas Hango were elected to represent VSEA on the state employees' retirement board for terms commencing October 1, 2014 and ending September 30, 2016.

Paul White was appointed by VSEA to be the alternate representative on the state employees' retirement board with the term expiring September 30, 2015.

Allen Blake was elected by VRSEA to be the alternate representative on the state employees' retirement board with the term expiring September 30, 2016.

Roger Dumas was elected by VRSEA to be a representative on the state employees' retirement board with the term expiring September 30, 2016.

ITEM 3: Review/Act on FY '14 Actuarial Valuation

Mr. Driscoll reviewed with the Board members the reasons for having an annual actuarial valuation. Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2014. Participants went up from June 30, 2013 (8158 active members), to 8325 active members. There was a 2.9% increase in average compensation and a 5.5% increase in annual Retirement allowances. The normal contribution rate also increased from June 30, 2013, from 3.91%, to 4.13%.

Mr. Briggs asked what the average service (years) at retirement. Mr. Driscoll stated that information was not in the report. Ms. Pearce stated the treasurer's office has this information. Mr. Dumas asked if Limited service employees were part of the 8325 number. Ms. Pearce stated yes. Mr. Dumas asked what is the main contributing factor in the rise of normal contributions. Mr. Driscoll stated it was the compensation of the state work force.

Ms. Lanphear and Ms. Spellman will be working on collecting data to show the percentage of staff who reached their max step and maximum contribution.

Mr. Driscoll stated that it would be a good idea if an experience study was done next year to see if the mortality assumptions in the valuation report were accurate. There were discussions relative to amortization, the unfunded accrued liability, mortality, and smoothing assets. There was a discussion about the new GASB 67 standards and Mr. Driscoll stated that GASB 27 was in its final year (ended 6/30/14). Mr. Driscoll also discussed the breakdown of members in each group as found in the graphs of pages 3 thru 7 of the valuation report.

Mr. Driscoll then stated that the assumption numbers used in the valuation report are unchanged from the numbers used in last year's valuation report. There was a discussion on the retirement probability ages. Mr. Driscoll then presented to the board the projection of contribution numbers for the following two fiscal years.

On motion by Ms. Pearce, seconded by Mr. Briggs the board unanimously approved to forward to the Governor, and the chairs of the House and Senate committees on government operations and appropriations; the contribution recommendation of \$46,237,853 for FY '16 based on the FY' 14 Actuarial Valuation report as provided by the state independent actuary, Buck Consultants.

ITEM 4: Review 2014 OPEB Update

Ms. Manion provided a review of the Report on the *Actuarial Valuation of Post-Retirement Benefits of the Vermont State Employees' Retirement system as of June 30, 2014* for board discussion. There was a discussion about the new EGWP program for prescription benefits for Medicare eligible members. There was a discussion about the unfunded Accrued Liability. There was a discussion about the demographics and Ms. Manion showed the graphs of accrued liability for retiree's vs active employees and ages pre-65 vs post-65. Ms. Manion also discussed the impacts of the Affordable Care Act and Green Mountain Care and how they could affect OPEB. Ms. Manion answered all the questions posed by the Board members.

Mr. White left the meeting at this time.

ITEM 5: GASB 67

There was a discussion about the new reporting requirement, GASB 67. The GASB 67 valuation report was discussed. Mr. Driscoll stated that GASB 25 was super ceded by GASB 67. There was a discussion about the total pension liability and the net pension liability. Mr. Briggs asked what would happen if there was a bad financial year and there was not enough smoothing assets to cover the loss. Mr. Driscoll stressed for that to happen, it would have to be a huge loss.

Ms. Pearce thanked the actuaries for their hard work and presentation of the valuation reports.

ITEM 6: Review/Accept 2015 Meeting Schedule

Mr. Gaffney indicated to the Board members the 2015 meeting schedule was contained in the board packets for their information. There was no objection by any of the Board members present.

ITEM 7: Adjournment

On motion by Mr. Dumas, seconded by Ms. Pearce, the Board unanimously voted to adjourn at 10:59 a.m.

Next Meeting Date:

The next scheduled VSERS meeting is an In-house meeting, Thursday, November 13th, 2014 at 9:00 a.m.

Respectfully submitted,

Nancy Dimick
Secretary to the Board